

HOUSE RESEARCH

Bill Summary

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Subject: Repaying the School District Aid Payment Shifts

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Overview

School districts use the accrual method of accounting, which means the full amount of the aid entitlement owed to a district for a fiscal year is booked as revenue for that year, regardless of when the state aid is actually received by the district. The state, on the other hand, uses a cash-based system of accounting. As a result, the state can save money on a onetime basis by implementing a “shift” of school district state aid. There are two types of shifts—the aid payment shift and the property tax recognition shift.

The aid payment shift works by having the state pay only part of the aid entitlement to the schools in the current year (in twice-monthly payments), and paying the remainder of the aid owed in a “clean-up” payment in the following year (in payments primarily in September and October). The aid payment shift percentage is currently 82.5.

The property tax recognition shift requires school districts to recognize a portion of their property taxes in the previous fiscal year. The current property tax recognition shift is set at 48.6 percent of a school district’s shiftable property tax levies.

This bill eliminates the property tax early recognition shift (currently at an amount equal to \$550 million) and requires the aid payment shift percentage to return to 90 percent on July 1, 2013. Each one percentage point in repayment of the aid payment shift costs about \$72 million. It would therefore cost approximately \$550 million on a onetime basis to finish repaying the aid payment shift and another \$550 million to repay the property tax recognition shift.

Section

- 1 Levy recognition; property tax early recognition shift.** Eliminates the property tax early recognition shift for fiscal years 2014 and later.
- 2 Definitions; aid payment shift.** Restores the aid payment shift percentage to 90 for fiscal years 2014 and later.